Swellendam Municipality

ASSET MANAGEMENT POLICY, 2017

APPROVED BY COUNCIL ITEM A48 – 30 MARCH 2017

ASSET MANAGEMENT POLICY

This policy must be read with the Municipality's supply chain management policy and accounting policy

CHAPTER 1
GENERAL ASPECTS OF ASSET MANAGEMENT

1. Statutory framework

1.1 In terms of section 14 of the Local Government: Municipal Finance Management Act 2003 (Act No 56 of 2003) (MFMA) the Municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of a capital asset needed to provide the minimum level of basic municipal services. A municipality may transfer ownership or otherwise dispose of a capital asset other than one needed to provide the minimum level of basic municipal services but only after the municipal council, in a meeting open to the public has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services and has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

1.2 Section 62(1) of the MFMA makes the Municipal Manager responsible for managing the financial administration of the municipality. For this purpose the Municipal Manager must for this purpose take all reasonable steps to ensure, amongst other things, that the resources of the municipality are used effectively, efficiently and economically.

1.3 The Municipal Manager is, in terms of section 63 of the MFMA responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets. For this purpose the Municipal Manager must take all reasonable steps to ensure-

(a) that the municipality has and maintains a management, accounting and information system that accounts for the assets of the municipality;

(b) that the municipality's assets are valued in accordance with standards of generally recognised accounting practice; and

(c) that the municipality has and maintains a system of internal control of assets, including an asset and register, as may be prescribed.

2. Policy goal

The principal goal of the Municipality's asset management policy and process is to enable the Municipality to meet its service delivery objectives efficiently and effectively.

3. Definitions

In this policy unless the context indicates otherwise –

"asset utilisation management" means the systematic process of operating, preserving/maintaining and upgrading/restoring assets cost-effectively to meet and continue meeting predetermined standards, including regular performance of condition assessments of assets and reporting there-on and estimating the annual amount required to maintain and preserve assets at the condition level originally established for those assets;

"capital asset" means non-consumable movable and immovable property, including land and improvements thereon, of the Municipality;

"capitalised" means recorded in the fixed asset register;

"depreciation" means the monetary quantification of the extent to which a fixed asset is used or consumed in the provision of economic benefits or the delivery of services; and

"fixed asset" means a tangible item of property, plant or equipment held by the Municipality for use in the production or supply of goods or services, for rental to others, or for administrative purposes and which is expected to be used during more than one reporting period (financial year).

4. Recognition of fixed assets

4.1 To be recognised as a fixed asset, an asset must also meet the criteria referred to in this policy.

4.2 An asset held under a finance lease, shall be recognised as a fixed asset, as the Municipality controls such an asset even though it does not own it.

5. Asset management system

5.1 The Municipality's asset management system recognises that the life-cycle of any asset consists of four stages, namely -

(a) Planning during which stage the need for a particular asset is identified or recognised, the acquisition of the asset is budgeted for and the design of the particular asset;

(b) Acquisition at which time an asset is purchased, leased, constructed or acquired and the installation and commissioning of the asset concerned;

(c) Operation and maintenance during which period the asset receives whatever is necessary to allow it to operate efficiently in the delivery of services; and

(d) Disposal at which time the asset may be sold, transferred, demolished or otherwise disposed of when it is no longer required or it has reached the end of its useful life.

5.2 Asset management and its two sub-systems of supply chain management and contract management are located in the department responsible for corporate services.

5.3 The asset management unit shall provide asset management (including supply chain management and contract management) services to the Municipality's departments. The asset management unit is therefore required to co-operate closely with the Municipality's other departments.

5.4 The Municipality realises that it is not productive, nor efficient to attempt to structurally and functionally ring fence the entire asset management process. Therefore, the following sub-functions and processes of the asset management process are assigned to other organisational units -

(a) Asset utilisation management

The organisational unit of the Municipality that is the primary user of a specific asset is responsible and accountable for managing that asset's utilisation.

(b) Capital accounting and maintenance of asset records

The Municipality must at all times have an up-to-date inventory/register of its assets. Such an inventory/register must be held in the format required by law and generally recognised accounting practice (GRAP). The capital accounting and asset records function of the Municipality is assigned to the Budget and Treasury Office.

(c) Securities related to assets

Original records relating to the acquisition, holding and disposal of assets, such as contracts, deeds of transfer, contracts of sale and lease and notarial deeds shall be held within a secure, fire-proof, limited access facility within the central records and archives office of the Municipality. The manager responsible for corporate services shall be competent to issue such prescripts and procedures regarding the storage, safe-keeping and access to such records as may be required in terms of relevant legislation and best practice.

6. Roles and responsibilities in respect of asset management

6.1 Role of the Municipal Manager

6.1.1 The Municipal Manager shall be the custodian of all the Municipality's fixed assets.

6.1.2 The Municipal Manager shall be responsible and accountable for ensuring that this policy is scrupulously applied and adhered to.

6.2 Role of Chief Financial Officer

The Chief Financial Officer shall ensure that a complete, accurate and up-to-date fixed asset register (FAR) is maintained. No amendments, deletions or additions to the FAR shall be made other than by the Chief Financial Officer or by an official acting under the written instruction of the Chief Financial Officer.

6.3 Role of departmental heads

Every departmental head shall –

(a) be responsible and accountable for the asset management functions related to any and all assets allocated to her/his department;

(b) during the preparation of her/his department's estimates for a budget year conduct a condition assessment of the assets allocated to and managed by her/his department;

(c) on the basis of the assessment in terms of paragraph (b) determine her/his department's financial needs during the budget year for –

(i) maintaining existing assets at an acceptable level calculated to ensure the continued productivity of the asset concerned and minor repairs to such assets;

(ii) repairing existing assets;

(iii) refurbishing or renovating existing assets;

(iv) extensive repair of existing assets;

(v) replacing existing assets; and

(vi) acquiring new assets.

7. Format of fixed asset register

7.1 The FAR shall be maintained in the format determined by the Chief Financial Officer, which format shall comply with the requirements of GRAP/GAMAP and any other accounting requirements which may be prescribed.

7.2 The FAR shall reflect the following information:

(a) a brief but meaningful description of each asset
(b) the date on which the asset was acquired or brought into use
(c) the location of the asset
(d) the department(s) or vote(s) within which the assets will be used
(e) the title deed number, in the case of fixed property
(f) the stand number, in the case of fixed property
(g) where applicable, the identification number, determined in accordance with this policy
(h) the original cost, or the revalued amount determined in compliance with part 26 below, or the fair value
(i) if no costs are available, the (last) revaluation date of the fixed assets subject to revaluation
(j) the revalued value of such fixed assets
(k) the identity of the person who did the (last) revaluation
(l) accumulated depreciation to date
(m) the depreciation charge for the current financial year
(n) the carrying value of the asset
(o) the method and rate of depreciation

(p) impairment losses incurred during the financial year (and the reversal of such losses, where applicable)
(q) the source of financing
(r) the current insurance arrangements
(s) whether the asset is required to perform basic municipal services
(t) whether the asset has been used to secure any debt and, if so, the nature and duration of such security arrangements
(u) the date on which the asset is disposed of
(v) the disposal price
(w) the date on which the asset is retired from use, if not disposed of.

7.3 All departmental heads under whose control any fixed asset fall shall promptly provide the Chief Financial Officer in writing with any information -

(a) required to compile the FAR; and

(b) of any material change which may occur in respect of such information.

7.4 A fixed asset shall –

(a) be capitalised at financial year-end. If the asset is constructed over a period of time, it shall be recorded as work-in-progress until it is available for use, where after it shall be appropriately capitalised as a fixed asset; and
(b) remain in the FAR for as long as it physically exists. The fact that a fixed asset has been fully depreciated shall not in itself be a reason for writing-off such an asset.

8. Classification of fixed assets

8.1 The Chief Financial Officer shall ensure that all fixed assets are classified under the following headings in the FAR, and departmental heads shall in writing provide the Chief Financial Officer with such information or assistance as is required to compile a proper classification:

8.1.1 Property, plant and equipment

(a) Land (not held as investment assets)
(b) Infrastructure assets (assets which are part of a network of similar assets)
(c) Community assets (resources contributing to the general well-being of the community)
(d) Heritage assets (culturally significant resources)
(e) Other assets (ordinary operational resources)

8.1.2 Inventory

Housing (rental stock or housing stock not held for capital gain)

8.1.3 Investment property

Investment assets (resources held for capital or operational gain)

8.2 The Chief Financial Officer shall adhere to the classifications indicated in the annexure on fixed asset lives and in the case of a fixed asset not appearing in the annexure shall use the classification applicable to the asset most closely comparable to the asset in question.

8.3 Investment property

8.3.1 Investment assets shall be accounted for in terms of IAS 40 and shall not be classified as property, plant and equipment for purposes of preparing the Municipality's Statement of Financial Position.

8.3.2 Investment assets shall comprise land or buildings (or parts of buildings) or both held by the Municipality, as owner or as lessee under a finance lease, to earn rental revenues or for capital appreciation or both.

8.3.3 Investment assets shall be recorded in the FAR in the same manner as other fixed assets, but a separate section of the FAR shall be maintained for this purpose.

8.3.4 Investment assets shall not be depreciated, but shall be annually valued on balance sheet date to determine their fair (market) value. Investment assets shall be recorded in the balance sheet at such fair value. Adjustments to the previous year's recorded fair value shall be accounted for as either gains (revenues) or losses (expenses) in the accounting records of the department or service controlling the assets concerned.

8.3.5 The Municipality shall engage a professional valuer, which may be the municipal valuer appointed in terms of section 33 of the Local Government: Municipal Property Rates Act 2004 (Act No 6 of 2004), to undertake such valuations.

8.3.6 If the Council resolves to construct or develop a property for future use as an investment property, such property shall in every respect be accounted for as an ordinary fixed asset until it is ready for its intended use, where after it shall be reclassified as an investment asset.

8.4 Fixed assets treated as inventory

Any land or buildings owned or acquired by the Municipality with the intention of selling such property in the ordinary course of business, or any land or buildings owned or acquired by the Municipality with the intention of developing such property for the purpose of selling it in the ordinary course of business, shall be accounted for as inventory, and not included in either property, plant and equipment or investment property in the Municipality's Statement of Financial Position. Such inventories shall, however, be recorded in the FAR in the same manner as other fixed assets, but a separate section of the FAR shall be maintained for this purpose.

8.5 Recognition of heritage assets in the fixed asset register

If no original costs or fair values are available in the case of one or more or all heritage assets, the Chief Financial Officer may, if it is believed that the determination of a fair value for the assets in question will be a laborious or expensive undertaking, record such asset or assets in the FAR without an indication of the costs or fair value concerned. For balance sheet purposes, the existence of such heritage assets shall be disclosed by means of an appropriate note.

8.6 Recognition of donated assets

Where a fixed asset is donated to the Municipality, or a fixed asset is acquired by means of an exchange of assets between the Municipality and one or more other parties, the asset concerned shall be recorded in the FAR at its fair value, as determined by the Chief Financial Officer.

9. Safekeeping of assets

Every departmental head shall be directly responsible for the physical safekeeping of any fixed asset controlled or used by her/his department. In discharging this responsibility, every departmental head shall adhere to any written directives issued by the Municipal Manager to the department in question, or generally to all departments, in regard to the control of or safekeeping of the Municipality's fixed assets.

10. Identification of fixed assets

10.1 The Municipal Manager shall ensure that the Municipality maintains a fixed asset identification system.

10.2 The identification system shall –

(a) be determined by the Municipal Manager, in consultation with the Chief Financial Officer and departmental heads;

(b) comply with any legal prescriptions;

(c) take into account any recommendations of the Auditor-General as indicated in the Municipality's audit report(s); and

(d) be decided upon within the context of the Municipality's available budgetary and human resources.

10.3 Every departmental head shall ensure that the asset identification system approved for the Municipality is scrupulously applied in respect of all fixed assets controlled or used by the department in question.

11. Capitalisation criteria

11.1 Material value

11.1.1 No item with an initial cost or fair value of less than R 1,000 or such other amount as the Council may from time to time determine on the recommendation of the Municipal Manager shall be recognised as a fixed asset. If the item has a cost or fair value lower than this capitalisation benchmark, it shall be treated as an operating expense.

11.1.2 Every departmental head shall –

(c) ensure that any item with a value in excess of R 250 and with an estimated useful life of more than one year, shall be recorded on a stock sheet;

(d) ensure that the existence of items recorded on such stock sheets is verified from time to time but at least once in every financial year; and

(e) ensure that any amendments which are made to such stock sheets pursuant to such stock verifications shall be retained for audit purposes.

11.2 Intangible items

No intangible item shall be recognised as a fixed asset, except that the Chief Financial Officer, acting in strict compliance with the criteria set out in IAS 38 (dealing with research and development expenses) may recommend to the Council that specific development costs be recognised as fixed assets.

11.3 Reinstatement, maintenance and other expenses

11.3.1 Only expenses incurred in the enhancement of a fixed asset (in the form of improved or increased services or benefits flowing from the use of such asset) or in the material extension of the useful operating life of a fixed asset shall be capitalised.

11.3.2 Expenses incurred in the maintenance or reinstatement of a fixed asset shall be considered operating expenses incurred in ensuring that the useful operating life of the asset concerned is attained and shall not be capitalised, irrespective of the quantum of the expenses concerned.

11.3.3 Expenses which are reasonably ancillary to the bringing into operation of a fixed asset may be capitalised as part of such fixed asset. Such expenses may include but need not be limited to import duties, forward cover costs, transportation costs, installation, assembly and commissioning costs.

12. Maintenance plans

12.1 Every departmental head shall ensure that a maintenance plan in respect of every new infrastructure asset with a value of R 50,000 or more is promptly prepared and submitted to the Council for approval.

12.2 If so directed by the Municipal Manager, the maintenance plan shall be submitted to the Council prior to any approval being granted for the acquisition or construction of the infrastructure asset concerned.

12.3 The departmental head controlling or using the infrastructure asset in question, shall annually, not later than 31 May, report to the Municipal Manager –

(a) on the extent to which the relevant maintenance plan has been complied with; and

(b) of the likely effect which any non-compliance may have on the useful operating life of the asset concerned.

13. Deferred maintenance

13.1 If there is material variation between the actual maintenance expenses incurred and the expenses reasonably envisaged in the approved maintenance plan for any infrastructure asset, the Chief Financial Officer shall disclose the extent and possible implications of such deferred maintenance in an appropriate note to the financial statements. Such note shall also indicate any plans which the Council has approved in order to redress such deferral of the maintenance requirements concerned.

13.2 If no such plans have been formulated or are likely to be implemented, the Chief Financial Officer shall re-determine the useful operating life of the fixed asset in question, if necessary in consultation with the departmental head controlling or using such asset, and shall recalculate the annual depreciation expenses accordingly.

14. General maintenance of fixed assets

Every departmental head shall be responsible and accountable for ensuring that all assets (other than infrastructure assets referred to in par 13) are properly maintained in a manner which will ensure that such assets attain their useful operating lives.

15. Depreciation of fixed assets

15.1 All fixed assets, except land and heritage assets, shall be depreciated, or amortised in the case of intangible assets.

15.2 Depreciation shall generally take the form of an expense both calculated and debited on a monthly basis against the appropriate line item in the department or vote in which the asset is used or consumed.

15.3 Depreciation shall initially be calculated from the day following the day in which a fixed asset is acquired or, in the case of construction works and plant and machinery, the day following the day in which the fixed asset is brought into use, until the end of the calendar month concerned. Thereafter, deprecation charges shall be calculated monthly.

15.4 Each departmental head, acting in consultation with the Chief Financial Officer, shall ensure that reasonable budgetary provision is made annually for the depreciation of all fixed assets controlled or used by the department in question or expected to be so controlled or used during the ensuing financial year.

15.5 The procedures to be followed in accounting and budgeting for the amortisation of intangible assets shall be identical to those applying to the depreciation of other fixed assets.

16. Rate of depreciation

16.1 The Chief Financial Officer shall assign a useful operating life to each depreciable asset recorded on the Municipality's FAR.

16.2 In determining such a useful life the Chief Financial Officer shall adhere to the useful lives set out in the annexure to this policy. In the case of a fixed asset which is not listed in the annexure, the Chief Financial Officer shall determine a useful operating life, if necessary in consultation with the departmental head concerned who controls or uses the fixed asset in question, and shall be guided in determining such useful life by the

likely pattern in which the asset's economic benefits or service potential will be consumed.

17. Method of depreciation

Except in those cases specifically identified in this policy, the Chief Financial Officer shall depreciate all depreciable assets on the straight-line method of depreciation over the assigned useful operating life of the asset in question.

18. Amendment of asset lives and diminution in the value of fixed assets

18.1 Only the Chief Financial Officer may amend the useful operating life assigned to any fixed asset.

18.2 When any material amendment to the useful operating lifespan of an asset occurs the Chief Financial Officer shall inform the Council of such amendment.

18.3 The Chief Financial Officer shall amend the useful operating life assigned to any fixed asset if it becomes known that such asset has been materially impaired or improperly maintained to such an extent that its useful operating life will not be attained, or any other event has occurred which materially affects the pattern in which the asset's economic benefits or service potential will be consumed.

18.4 If the value of a fixed asset has been diminished to such an extent that it has no or a negligible further useful operating life or value such fixed asset shall be fully depreciated in the financial year in which such diminution in value occurs. Similarly, if a fixed asset has been lost, stolen or damaged beyond repair, it shall be fully depreciated in the financial year in which such event occurs, and if the fixed asset has physically ceased to exist, it shall be written off the FAR.

18.5 In the all the foregoing instances, the additional depreciation expenses shall be debited to the department or vote controlling or using the fixed asset in question. If any of the foregoing events arises in the case of a normally non-depreciable fixed asset and such fixed asset has been capitalised at a value other than a purely nominal value, such fixed

asset shall be partially or fully depreciated, as the case may be, as though it were an ordinary depreciable asset and the department or vote controlling or using the fixed asset in question shall bear the full depreciation expenses concerned.

19. Alternative methods of depreciation in specific instances

19.1 The Chief Financial Officer may employ the sum-of-units method of depreciation in the case of fixed assets which are physically wasted in providing economic benefits or delivering services, provided that this method of depreciation shall only be utilised if the departmental head controlling or using the fixed asset in question gives a written undertaking to the Municipal Manager to provide:

(a) estimates of statistical information required by the Chief Financial Officer to prepare estimates of depreciation expenses for each financial year; and

(b) actual statistical information, for each financial year.

19.2 The departmental head concerned shall undertake to provide such statistical information at the specific times stipulated by the Chief Financial Officer. Where the Chief Financial Officer decides to employ the sum-of-units method of depreciation and the requirements set out in the preceding paragraph have been adhered to, she/he shall inform the Council of the decision in question.

20. Creation of non-distributable reserves for future depreciation
(Currently no non-distributable reserves are in place)

21. Carrying values of fixed assets

All fixed assets shall be carried in the FAR, and appropriately recorded in the annual financial statements, at their original cost or fair value less any accumulated depreciation. The only exceptions to this rule shall be revalued assets and heritage assets in respect of which no value is recorded in the FAR.

22. Revaluation of fixed assets

22.1 All land and buildings recorded in the Municipality's FAR shall be revalued with the adoption by the Municipality of each new valuation roll (or, if the land and buildings concerned fall within the boundary of another municipality, with the adoption by such municipality of each new valuation roll).

22.2 The Chief Financial Officer shall adjust the carrying value of the land and buildings concerned to reflect in each instance the value of the fixed asset as recorded in the valuation roll, provided the Chief Financial Officer is satisfied that such value reflects the fair value of the fixed asset concerned.

22.3 The Chief Financial Officer shall, where applicable, create a revaluation reserve for each such fixed asset equal to the difference between the value as recorded in the valuation roll and the carrying value of the fixed asset before the adjustment in question. The fixed asset concerned shall, in the case of buildings, thereafter be depreciated on the basis of its revalued amount, over its remaining useful operating life and such increased depreciation expenses shall be budgeted for and debited against the appropriate line item in the department or vote controlling or using the fixed asset in question.

22.4 The Chief Financial Officer shall ensure that an amount equal to the difference between the new (enhanced) monthly depreciation expense and the depreciation expenses determined in respect of such fixed asset before the revaluation in question is transferred each month from the revaluation reserve to the Municipality's appropriation account. An adjustment of the aggregate transfer shall be made at the end of each financial year, if necessary (see part 24 above).

22.5 If the amount recorded on the valuation roll is less than the carrying value of the fixed asset recorded in the FAR, the Chief Financial Officer shall adjust the carrying value of such asset by increasing the accumulated depreciation of the fixed asset in question by

an amount sufficient to adjust the carrying value to the value as recorded in the valuation roll. Such additional depreciation expenses shall form a charge, in the first instance, against the balance in any revaluation reserve previously created for such asset and to the extent that such balance is insufficient to bear the charge concerned, an immediate additional charge against the department or vote controlling or using the asset in question.

22.6 Revalued land and buildings shall be carried in the FAR, and recorded in the annual financial statements, at their revalued amount, less accumulated depreciation (in the case of buildings).

23. Verification of fixed assets

23.1 The Financial Department shall at least once during every financial year undertake a comprehensive verification of all fixed assets controlled or used by her/his department.

23.2 The Financial Department shall promptly and fully report in writing to the Chief Financial Officer in the format determined by the Chief Financial Officer, all relevant results of such fixed asset verification, provided that –

(a) each such asset verification shall be undertaken and completed as closely as possible to the end of each financial year; and

(b) the resultant report shall be submitted to the Chief Financial Officer not later than 31 August of the year in question.

24. Alienation of fixed assets

(NOTE: Currently no alienation of fixed assets does take place)

25. Writing off of fixed assets

25.1 A fixed asset even though fully depreciated shall be written off only on the recommendation of the departmental head controlling or using the asset concerned, and with the approval of the Council.

25.2 Every departmental head shall report to the Chief Financial Officer on 31 October and 30 April of each financial year on any fixed assets which she/he wishes to have written off, stating in full the reason for such recommendation. The Chief Financial Officer shall consolidate all such reports, and shall promptly submit a recommendation to the Council on the fixed assets to be written off.

25.3 A fixed asset may only be written off due to loss, theft, destruction, material impairment, redundancy and obsolescence.

25.4 In every instance where a fixed asset that has not been not fully depreciated is written off, the Chief Financial Officer shall immediately debit the department or vote concerned the full carrying value of the asset concerned as additional depreciation expenses.

26. Replacement norms

The Municipal Manager shall, after consultation with the Chief Financial Officer and departmental heads, prepare and submit to the Council proposed norms and standards for the replacement of -

(a) motor vehicles, furniture and fittings, computer equipment and any other appropriate operational items; and

(b) fixed assets which are required for service delivery but which have become uneconomical to maintain.

27. Insurance of fixed assets[1]

27.1 The Municipal Manager shall ensure that –

(a) all movable fixed assets are insured at least against fire and theft; and

(b) all municipal buildings are insured at least against fire and allied perils.

27.2 The Municipal Manager shall, taking into account the budgetary resources of the Municipality, recommend to the Council, after consulting with the Chief Financial Officer, the basis of the insurance to be applied to each type of fixed asset, which shall be –

(a) the carrying value; or

(b) the replacement value

27.3 If the Municipality has a self-insurance reserve (assuming such reserve to be allowed), the Chief Financial Officer shall annually determine the premiums payable by the departments or votes after having received a list of the fixed assets and insurable values of all relevant fixed assets from the departmental heads concerned.

27.4 The Chief Financial Officer shall annually submit a report to the Council on any reinsurance cover which it is deemed necessary to procure for the Municipality's self-insurance reserve.

28. Biological assets

28.1 Accounting for biological assets shall take place in accordance with the requirements of IAS 41.

28.2 The Chief Financial Officer, in consultation with the departmental heads concerned, shall ensure that all biological assets, such as livestock and crops, are valued at 30 June each year at fair value less estimated point-of-sales costs. Such valuation shall be undertaken

[1] See also the risk management policy.

by a recognised valuer in the line of the biological assets concerned. Any losses on such valuation shall be debited to the department or vote concerned as an operating expense, and any increase in the valuation shall be credited to the department or vote concerned as operating revenue.

28.3 If any biological asset is lost, stolen or destroyed, the matter, if material, shall be reported in writing by the departmental head concerned in exactly the same manner as though the asset were an ordinary fixed asset. Records of the details of biological assets shall be kept in a separate section of the FAR or in a separate accounting record and such details shall reflect the information which the Chief Financial Officer, in consultation with the departmental head concerned and the Internal Auditor, deems necessary for accounting and control purposes.

28.4 The Chief Financial Officer shall annually insure the Municipality's biological assets, in consultation with the departmental heads concerned, provided the Council considers such insurance desirable and affordable.

CHAPTER 2
LOSS, DAMAGE AND DESTRUCTION OF ASSETS

29. Procedure in case of loss, theft, destruction, or impairment of fixed assets

29.1 Every departmental head shall ensure that any incident of loss, suspected theft, destruction or material impairment of any fixed asset controlled or used by her/his department is promptly reported in writing to the Municipal Manager, the Chief Financial Officer, the Internal Auditor and in cases of suspected theft or malicious damage also to the South African Police Service.

29.2 The Municipal Manager may, upon receipt of a report in terms of paragraph 29.1, appoint a person, which may be an official of the Municipality or another person –

(a) to investigate the circumstances of the loss, suspected theft, destruction or impairment of the asset concerned;

(b) to form and express an opinion with regard to the matter; and

(c) to submit a written report and recommendations to her/him with regard to the matter, within a period determined by the Municipal Manager.

29.3 The Municipal Manager shall take such action as she/he may deem appropriate, which may include disciplinary action, upon receipt of a report in terms of paragraph 29.2.

CHAPTER 3
USE OF MUNICIPAL VEHICLES AND MACHINERY

30. Objectives

The objectives of this Chapter are-

(a) to regulate the use of municipal vehicles;

(b) to ensure that municipal vehicles are used in a safe and efficient manner in order to minimise abuse, loss and damage and decrease expenditure; and

(c) to provide procedures for reporting and investigating abuse and loss of and damage to vehicles

31. Driver's licences

Every councillor and employee who is required to drive a municipal vehicle from time to time must furnish the Municipality with a certified copy of his/her driver's licence and every renewal thereof. Only the credit card type driver's licence is acceptable.

32. Use of vehicles and authority to use vehicles

32.1 No councillor or employee may use a vehicle of the Municipality without the express prior approval of her/his immediate supervisor, departmental head or the Municipal Manager.

32.2 Approval of a person to use a vehicle must be signified in writing in the logbook of the vehicle concerned.

32.3 Nobody may-

(a) authorise or permit a councillor or an employee who does not have a valid driver's license to drive a vehicle of the Municipality;

(b) authorise or permit a councillor or an employee who is apparently under the influence of a stupefying or intoxicating substance, including alcohol, to drive a vehicle or operate a machine of the Municipality;

(c) drive a vehicle or operate a machine of the Municipality whilst under the influence of an intoxicating or stupefying substance, including alcohol, or any drug that induces drowsiness;

(d) use, or allow a municipal vehicle to be used for any purpose other than undertaking an authorised journey;

(e) use, or allow a municipal vehicle to be used by any person that is not an employee or councillor of the Municipality without the express prior approval of the manager responsible for managing the Municipality's fleet;

(f) use, or allow a municipal vehicle to be used to transport persons other than employees or councillors of the Municipality without the express prior approval of the manager responsible for managing the Municipality's fleet;

(g) use, or allow a municipal vehicle to be used if that vehicle is not roadworthy or properly licensed and insured;

(h) use, or allow a municipal vehicle to be used for any purpose other than the purpose for which it was designed;

(i) use, or allow a municipal vehicle to be used to carry a heavier load than the load that it may safely carry according to the manufacturer's specifications;

(j) use, or allow a municipal vehicle to be used when that vehicle has some or other mechanical or electrical defect or fault that may affect the safety of its users or that of other road users or pedestrians; and

(k) use, or allow a municipal vehicle to be used to transport employees of the Municipality from their residences/work to work/residences except with the express

prior written approval of the departmental head concerned.

32.4 The authorised user of a vehicle or machine-

(a) is responsible and accountable for the proper and safe use of the vehicle or machine she/he uses;

(b) must at all times comply with the prescribed traffic rules, including any speed limits, that may be imposed;

(c) must before her/his journey or work commences, ensure-

(i) that the engine oil and water levels, including the water level of the window washer and battery is correct;

(ii) that the tyres, including the emergency/spare wheel, are correctly inflated;

(iii) that the tread on the tyres, including the spare/emergency wheel, is within legal limits;

(iv) that its windshield is clean and free of cracks and its wipers working properly;

(v) its exhaust pipe does not have holes in it and is complete;

(vi) that the jack and tools necessary for jacking the vehicle up and to loosen and tighten its wheel nuts are in the vehicle;

(vii) that it has a valid and legible license; and

(viii) that it has enough fuel for the journey to be undertaken.

(d) may use such vehicle or machine only in accordance with the manufacturer's specifications and the conditions of warranty, if any;

(e) may not authorise, permit or instruct any other employee, a councillor or member of the public to use a vehicle or machine assigned to her/him;

(f) whilst he/she is using a vehicle or machine undertake any other journey not stipulated in the trip authorisation except with the express prior approval of her/his immediate supervisor or, in the case of a councillor, the Municipal Manager;

(g) transport any person who is not a councillor or an employee or any property that is not the Municipality's property or that of the user of the vehicle or machine or her/his passengers, if any;

(h) diligently complete the logbook of the vehicle or machine after finishing the journey;

(i) must switch off any lights and other electronic equipment, ensure that all windows and doors are properly closed and properly lock the vehicle or machine and when she/he leaves it; and

(j) immediately upon her/his return report any damage or mechanical and electronic problems experienced with the vehicle or machine during the journey.

32.5 The manager responsible for managing the Municipality's vehicle fleet must ensure that a logbook is supplied and maintained in respect of every municipal vehicle. Any councillor or employee who drives a municipal vehicle must properly complete the logbook before and at the end of each trip.

32.6 The manager responsible for managing the Municipality's fleet must ensure that an adequate supply of trip authorisation forms is available and that every departmental head has a supply of such forms. Departmental managers must ensure that a trip authorisation form is completed for every trip.

33. Vehicle accidents and damage to vehicles left unattended

33.1 The driver of a municipal vehicle that was in an accident must, immediately after the accident took place, if she/he is able to do so, call a police or traffic officer or request somebody else to make such call. If a police or traffic officer is not available, the driver must as soon as possible report the accident at the nearest police station and obtain the case (MR) number.

33.2 The driver of a vehicle may supply her/his particulars and that of her/his immediate supervisor to any person to whom she/he reports an accident and to any other person who may reasonably require such information.

33.3 Neither the driver of, nor any passenger in or on, a municipal vehicle that was involved in an accident may admit liability for that accident, neither may she/he make or receive any payment or offer of payment at any accident.

33.4 The driver of a municipal vehicle that was involved in an accident or that was damaged whilst left unattended must, if she/he is able to do so, -

(a) obtain the names and contact details (including the work and residential addresses and telephone and mobile phone numbers) of any person who was a witness to the incident (if any);

(b) obtain the names and contact details (including the work and residential addresses and telephone and mobile phone numbers) of any person who was involved in the incident and who is not an employee (if any);

(c) obtain the vehicle registration numbers of every vehicle involved in the incident (if any);

(d) as soon as possible after the incident, make a drawing of the scene where the incident took place, paying special attention to the landscape, type of road, incident related obstructive objects on or around the road, road make-up including any fencing and weather conditions at the time of the incident;

(e) as soon as she/he arrives at her/his ordinary place of work, report the incident to her/his immediate supervisor and thereafter prepare and submit a written report explaining full details of the incident, including statements of witnesses (if any) and passengers (if any);

(f) upon receipt of any summons, subpoena or notice to appear in a court in relation to the incident inform the employee responsible for insurance claims of that fact; and

(g) submit any notice or claim received from a third party or insurance company in relation to the incident immediately to the employee responsible for insurance claims.

33.5 The departmental head of the driver who was involved in an accident person must within 24 hours after the incident was reported -

(a) complete the incident report form, attach thereto and submit any statements of witnesses and any other relevant documents to the person responsible for insurance claims;

(b) make arrangements to and obtain a report on the mechanical condition of the vehicle;

(c) make arrangements to and obtain at least two quotations from different repairing agencies for the repair of the vehicle; and

(d) make arrangements to and obtain the sales and trade-in values of the vehicle.

33.6 The traffic officer designated by the manager responsible for community services –

(a) must investigate any accident involving a municipal vehicle and any damage sustained by a municipal vehicle left unattended and gather such documentary, photographic and other evidence as may be relevant;

(b) may conduct an inspection of the scene where the incident happened;

(c) may interview the driver, assessor, third party or any other person with information relevant to the incident;

(d) may request witnesses to make written statements regarding the incident;

(e) must establish whether, on the face of it, the driver was on official business when the incident occurred; and

(f) must submit her/his written report and recommendations to the relevant departmental head or the manager responsible for managing the Municipality's fleet.

33.7 The departmental head or manager responsible for managing the Municipality's fleet must, upon receipt of the health and safety representative's report decide whether, on the basis of the report, disciplinary or any other appropriate action must be taken against the driver.

34. Admission or proof of liability

34.1 The Municipality may deduct the amount of damage to a municipal vehicle which was sustained whilst an employee or councillor was in control of that vehicle from that employee's or councillor's salary, if the employee or councillor -

(a) agrees in writing to the deduction; or

(b) the damage occurred in the course of the employee's employment or the councillor's official duties and was due to the fault of the employee or councillor;

(c) the Municipality has followed a fair procedure and has given the employee or councillor a reasonable opportunity to show why the deduction must not be made; and

(d) the total amount of the deduction does not exceed the total amount of the damage.

34.2 The total amount of any deduction in terms of paragraph 34.1 may not exceed one-quarter of an employee's pay.

CHAPTER 4
USE OF OFFICE MACHINERY AND EQUIPMENT

35. Portable computer equipment

35.1 The Municipality may, in the sole discretion of the Municipal Manager, acquire and issue to any employee a portable computer.

35.2 The issuing receipt which the employee to whom a portable computer is issued shall sign shall include such detail with regard to the equipment issued as may be reasonably required to identify it, including detail with regard to the configuration of the equipment concerned.

35.3 The employee to whom a portable computer has been issued shall present such equipment on demand to the manager responsible for information technology to verify its physical existence and that it is in proper working order.

35.4 The Municipality recognises that whilst theft of computer equipment is a high risk, theft, loss and damage to portable computer equipment are more likely to occur than desktop computer equipment. Therefore, any employee to whom a portable computer has been issued must be much more concerned with the safe storage of such equipment. The Municipal Manager shall, immediately upon the loss, suspected theft or damage of a portable computer or any component of such equipment being reported, appoint a person, who may be an employee or another person, to investigate the circumstances of the reported loss, suspected theft or damage and to submit a written report to her/him. The Municipal Manager may, upon receipt of a report in terms of this paragraph, institute such action, including disciplinary action as may be appropriate.

36. Electronic mail facilities

36.1 The Municipality provides electronic mail facilities to personnel and councillors in order –

(a) to improve the Municipality's efficiency;

(b) to enhance the effectiveness of communication; and

(c) to expedite the administration of the Municipality's affairs.

36.2 Electronic mail facilities are not provided for the convenience of, or use by, employees or councillors for their own private purposes. The Municipality realises that electronic mail messages, including any attachments to such messages, received and sent using an electronic mail facility supplied by the Municipality are "indirect communications" and may therefore be intercepted in terms of section 6 of the Regulation of Interception of Communications and Provision of Communication-related Information Act 2002 (Act No. 70 of 2002).

36.3 The Municipality may monitor computer activity and particularly electronic mail traffic in the Municipality for the purpose of establishing or keeping a record to establish the existence of facts, investigating or detecting unauthorised use of the Municipality's telecommunications system or in order to secure the effective operation of the Municipality's telecommunications system.

36.4 User's of electronic mail facilities supplied by the Municipality shall –

(a) ensure that his/her e-mail access is kept official and at all times devoid of profanity, obscene, racist, defamatory, abusive or threatening, discriminatory or otherwise biased remarks or content, lies to discredit the Municipality or any individual that acts as representative of the Municipality or government and propaganda to discredit any person or group of people or party in any way;

(b) not distribute or forward any content that is sexual, pornographic, biased, offensive or violent to disgust or that can be viewed as inappropriate or illegal content;

(c) not send out virus warnings if it was not cleared with the relevant support person or company, as it often is hoax viruses aimed at flooding e-mail systems and servers through sheer volumes;

(d) inform the support personnel or company of any strange content or e-mails received from known and unknown sources, especially when the mail contains attachments that are executable files or part of applications or application extensions or screensavers. Such attachments may be disguised computer viruses and may wait to be executed to infect a system and redistribute it to other recipients. E-mails received from unknown sources or that is conspicuous by nature should be deleted immediately and also deleted from the recycle bin within the e-mail program; and

(e) make sure of the security classification of documents sent via e-mail and ensure that the documents may be sent via e-mail. Where documents are sent with sensitive information the relevant support personnel should be contacted to ensure that the mail is sent encrypted and that sensitive information is received by the intended recipient only and can be read by that person only.

36.5 It is unlawful -

(a) to distribute e-mail messages that consist of files that are copyrighted via e-mail;

(b) to transmit information that is derogatory to any person or messages which are sexually or racially harassing via e-mail to any person, either within the Municipality or outside;

(c) to read any e-mail message intended for a specific person, unless specifically instructed or requested to do so. Where people allow others access to their e-mail messages it is not deemed illegal to read any message received.

(d) to send e-mail that contain user accounts and passwords to persons not on the network or not members of the network, especially if those accounts and passwords grant access to the network with administrator or equal rights and the intended party uses it illegally. When instructed to do so such information may be sent via e-mail but only on instruction by a member of senior management.

36.6 The Municipal Manager shall take appropriate steps, which may include disciplinary steps and laying criminal charges against offenders.

36.7 E-mail messages should be kept to a maximum size of about 1 megabyte or less in order to aid in the necessary bandwidth being conserved and utilised for important transfers.

37. Prohibited practices with regard to electronic equipment

No employee or councillor may –

(a) play, view, copy, upload or download computer games on or to any computer in any workplace, whether or not the Municipality supplied such computer;

(b) supply any electronic mail address of the Municipality to receive electronic mail of a private nature, nor transmit any electronic mail of a private nature using such an address or by means of any electronic mail facility supplied by the Municipality;

(c) access the Internet from a computer in any workplace, whether or not the Municipality supplied such a computer, unless she/he had been instructed by a person who is competent to give such an instruction to conduct research on any subject matter or to find and download a specific document;

(d) at any time view, upload, download or access any offensive material, including but not limited to sexually or racially offensive material, on or from the Internet;

(e) attempt to change or repair any computer hard- or software or any computer system or computer network infrastructure;

(f) install a modem in any computer or, when a computer has a modem, connect such modem to a telephone line of the Municipality without the express prior permission of the Municipal Manager;

(g) install, load, delete or change any computer programme installed on any computer in any workplace whether or not the Municipality supplied such a computer or programme;

(h) use or access any records, files, folders or documents whether of a private or official nature, stored in any computer or network device other than a computer assigned or supplied to her/him without the express prior approval of –

(i) the person to whom such other computer has been assigned or supplied; or

(ii) the Municipal Manager;

(i) change the user name, access code or password to any computer or a computer assigned or supplied to another employee without the express prior approval of –

(i) the person to whom such other computer has been assigned or supplied; or

(ii) the Municipal Manager;

(j) move, rename or make any changes to a file, folder, record or document stored on any computer storage device, digital memory or a network device used for storing and exchanging files, folders, records and documents unless she/he -

(i) is the author of such file, folder, record or document;

(ii) is the Municipal Manager or a departmental head; or

(iii) acts with the permission or under the express instruction of any person in sub-paragraphs (i) or (ii);

(k) add a private electronic mail address to any electronic mail account or change or remove an electronic mail address supplied by the Municipality to her/him;

(l) access or attempt to access a document on any computer, computer system or network device to which she/he does not have the required security access; or

(m) “lock” a document she/he is the sole author of or collaborated on, for editing or printing

without the express consent of her/his departmental head or the Municipal Manager.

38. User name and pass word

38.1 An employee or councillor who has been assigned a computer to perform her/his work -

(a) shall choose a user name and password or other access code for that computer and shall in writing, in a sealed envelope, submit particulars thereof to the Municipal Manager;

(b) shall ensure that her/his user name and password or other access code remains confidential and shall not disclose particulars thereof to any other person unless instructed to do so by the Municipal Manager or her/his departmental head

38.2 Whenever an employee's or councillor's user name, access code or password changes, she/he must inform the Municipal Manager of any such change in terms of paragraph 38.1.

38.3 Every employee and councillor has a duty to ensure that the integrity of information stored in or on a computer or network device is not compromised.

38.4 The Municipal Manager may, after consultation with managers directly accountable to her/him and the Network/System Administrator, determine the security and access levels of different classes of files, folders, records and documents stored in a computer or network device, and may for this purpose design, approve and implement a document classification system.

38.5 Any file, folder, record and document, including any electronic mail messages on computer hard drive, including a removable hard disk, stiffy disk, compact disk, digital video disk or flash memory found in a work place or issued by the Municipality shall be deemed to be the property of the Municipality.

39. Tele- and mobile phone and two-way radio facilities

39.1 No employee or councillor may-

(a) use any tele- or mobile phone or two-way radio supplied by the Municipality for official business of the Municipality for private business; and

(b) authorise or permit another person, whether it is a colleague or member of the public to use a tele- or mobile phone or two way radio issued to her/him.

39.2 The Municipality may require an employee and councillor to pay for any and all telephone calls of a private nature made by her/him from a telephone issued by the Municipality.

40. Use of duplicating and telefacsimile transmission machines

No councillor or employee may-

(a) use any duplicating machine supplied by the Municipality to make copies of a private nature;

(b) supply any telefacsimile number of the Municipality to receive telefacsimile transmissions of a private nature; or

(c) transmit any tele facsimile messages of a private nature using a telefacsimile machine supplied by the Municipality.